Edition: December 2018

Issue: 39

NEWSLETTER

IN THIS ISSUE………

MSME News Update

1. ***India to chair Kimberley process from Jan next year: Commerce Min***

   India will chair the Kimberley Process (KP), a global initiative to remove conflict diamonds from the global supply chain, from January next year, the Commerce Ministry said.

   KP is a joint initiative of different countries, industry and civil societies to control flow of conflict diamonds, which are used by rebel movements to finance wars against legitimate governments in the world.

   "India, during its chairmanship will continue with the tradition and aim to support the artisanal and small-scale mining (ASM) and with capacity building, technical assistance and education on valuation, differentiation between natural and lab grown diamonds, importance of legal and formal mining practices," the ministry said in a statement.

   "India is at the forefront in addressing the issue of differentiation between natural diamonds and lab grown diamonds and ensure responsible business in this area," it added.

   (The Economic Times, November 30th, 2018)

2. ***After GST, a five-fold surge in credit disbursal to MSME sector***

   Credit growth to Micro & Small Enterprises (MSEs) has been quite stupendous after the implementation of GST. Incremental credit to this segment (under priority sector) in the 15-month period post-GST increased 5 times to ₹1.23 lakh crore, compared to ₹25,700 crore during the corresponding pre-GST period, according to a State Bank of India research report.

   The jump in credit to MSE sector bodes well regarding the formalisation of the Indian economy and, hence, the ensuing benefits, said the bank's Ecowrap report.

   The report observed that the deceleration in credit during the pre-GST period was partly due to the overall slowdown in economic activity, rising NPAs (non-performing assets), and reclassification of food and agro-processing units from the MSME (micro, small and medium enterprise) category to agriculture sector (as per the revised priority sector lending guidelines, 2015).

   "According to International Finance Corporation (IFC) estimates, the potential demand for India's MSME finance is about $370 billion, against the current credit supply of $139 billion, resulting in a finance gap of $230 billion. Hence, much needs to be done," the report said.

   Even as credit growth still remains in comfort territory, despite slowing down, the report said there is more concern over the slowdown in growth.

   The report has cut its FY19 GDP forecast for FY19 to 7.2 per cent from 7.4 per cent earlier.

   (Business Line, December 4th, 2018)

3. ***MUDRA loans: Big States get a major share; smaller ones left high and dry***

   The growth of entrepreneurship in the non–corporate small business sector (NCSB) in smaller States has not received any major boost under the Central government's ambitious MUDRA loan scheme.

   Data show that States that already have higher Credit–Deposit (C-D) ratios — a yardstick that indicates better access to institutional credit — are the ones reaping the benefit of the scheme.

   While six large States led by Tamil Nadu have received over 50 per cent of the ₹6.82-lakh crore MUDRA loans disbursed till date, a majority of North-East States and Union Territories have not received even 1 per cent of the total MUDRA loans.

   Interestingly, 60 per cent of the total loan sanction comes from these top six States.

   MUDRA, a financial institution that stands for Micro Units Development and Refinance Agency Ltd, was set up by the government for the development and refinancing of micro enterprises. The scheme announced in 2016 is aimed at providing funding to the non-corporate small business sector through various last-mile financial institutions.

   "The biggest bottleneck to the growth of entrepreneurship in the NCSB sector is the lack of financial support. More than 90 per cent of the sector does not have access to formal sources of finance," states the MUDRA website. However, the data reveal a different story: Entrepreneurs from Tamil Nadu have received maximum loans (10 per cent).

   Those from Karnataka share the top place with their Tamil Nadu counterparts. Entrepreneurs from Maharashtra, Uttar Pradesh, West Bengal and Bihar along with the top two States share among themselves over 50 per cent of the loans.

Uttarakhand, Himachal Pradesh and Jammu and Kashmir have received just one per cent of the total loans.
Tamil Nadu and Maharashtra have a C-D ratio of more than 100 per cent. Andhra Pradesh and Telangana — the other States with higher C-D ratios — have received 4 per cent and 2 per cent of the loans, respectively.
Interestingly, general category entrepreneurs across the States dominate the loan chart, receiving 45 per cent of loans followed by Other Backward Castes (23 per cent), Schedule Caste (18 per cent) and Scheduled Tribes (5 per cent).
(Business Line, December 4th, 2018)

4. *Malaysian SMEs on 'market immersion' programme in India*

Malaysia External Trade Development Corporation (MATRADE) is organising a 'market immersion to India' programme, which tries to spur mid-tier companies of Malaysia to look at the Indian market for trade and investment.
Statistics about SMEs in Malaysia —which are called 'mid-tier companies', or MTCs— read just like those of India. There are about 10,000 MTCs, which account for just one per cent of all Malaysian firms; yet they contribute 30 per cent to the country's GDP and employ 22 per cent of the workforce. However, very few of them have business links with India.
MATRADE, as part of its 'mid-tier companies development programme', will bring a few MTCs to India, to expose them to the Indian market. One MTC, CIC Marketing Sdn Bhd, which is part of a group that manufactures adhesive tapes used in a range of industries such as construction, automotive, packaging, solar and semi-conductors, was in Chennai recently.
Another company, EQX, which (among other products) makes a chemical called 'ethylene tetra fluoroethylene', better known as ETFE. Films made of ETFE are used in the manufacture of solar panels. EQX also produces resins that are used the making of paints.
(Business Line, December 5th, 2018)

5. *'RBI move to link banks' lending rates to external benchmarks will ensure more transparency*

The Reserve Bank of India's proposal that banks link all new floating rate personal / retail and MSME loans to one of the four external benchmarks, including policy repo rate and Treasury Bill yields, from April 1, 2019, will ensure greater standardisation and improve transparency in loan pricing, say bankers.
According to the RBI, all new floating rate personal or retail loans (housing, auto) and floating rate loans to Micro and Small Enterprises (MSE) extended by banks from April 1, 2019, will be linked to one of the four benchmarks – Reserve Bank of India's policy repo rate, or 91 days Treasury Bill, or 182 days Treasury Bill, or any other benchmark market interest rate produced by the Financial Benchmarks India Private Ltd.
The spread over the benchmark rate – to be decided wholly at banks' discretion at the inception of the loan – will remain unchanged through the life of the loan, unless the borrower's credit assessment undergoes a substantial change and as agreed upon in the loan contract, the central bank said in its Statement on Developmental and Regulatory Policies.
The statement said: "Banks are free to offer such external benchmark-linked loans to other types of borrowers as well.
"In order to ensure transparency, standardisation, and ease of understanding of loan products by borrowers, a bank must adopt a uniform external benchmark within a loan category; in other words, the adoption of multiple benchmarks by the same bank is not allowed within a loan category."
Indian Banks' Association Chairman Sunil Mehta said linking floating rate loans to external benchmarks for the retail and MSE segments will improve transparency and better monetary transmission.
Karthik Srinivasan, Group Head, Financial Sector Ratings, ICRA, opined that the proposal to link banks' lending rates on new retail and MSE loans with external benchmarks is expected to improve the transparency in loan pricing by banks, as the existing benchmarks, especially the base rate, have not led to a full transmission of the benefits of decline in cost of funds for banks to borrowers.
Furthermore, the profitability of banks may see higher volatility, unless they are able to raise floating rate deposits linked to external benchmarks.
On the other hand, for borrowers, it may lead to a more frequent resets on their equated monthly instalments.
(Business Line, December 5th, 2018)

6. *Exporters find it difficult to get bank credit*

Exporters complained of being choked of credit due to reluctance of the banks to lend them despite government efforts to ease cash crunch.

It is said that the bank credit issue of exporters is yet to be resolved. PSU banks officials including MDs, EDs, GMs, AGMs are not accessible to exporters particularly from the MSME sector. This has tightened the hands of these exporters to take orders. Exporters are not able to discuss issues and challenges with regard to availability and cost of credit to the exports sector.

Commerce minister Suresh Prabhu is taking several steps to promote exports. But it would not fructify if banks would not lend to exporters smoothly and at affordable rates.

Exporters had complained that the banks are reluctant to lend them after Nirav Modi defrauded PNB of Rs 11,500 crore.

Exporters had said that if one person had committed fraud that doesn't mean that everyone should be looked at with suspicion.

(The Asian Age, December 7th, 2018)

7. *Small biz tap hackathons for talent*

At a time when large companies descend on college campuses across the country to hire talent, smaller niche enterprises place higher reliance on hackathons to hire industry-ready talent better suited to support their digital goals, a study has revealed.

In a study undertaken by HR tech startup Mettl of over 200 companies across India (with equal representation of small and large players), 23% small organisations use hackathons to source candidates as opposed to just 11% large organisations that hire from these challenges. "The larger companies use hackathons more as a platform for engaging with their community and as a branding exercise, while SMEs and startups evaluate and hire talent," Siddhartha Gupta, chief revenue officer, Mettl, told.

(The Times of India, December 7th, 2018)

8. *Organic/processed food export restrictions to go, asserts Govt*

With the central cabinet approving the Agricultural Export Policy, commerce minister Suresh Prabhu said all the restrictions on export of organic and processed food would be lifted, paving way for the growth of the sector.

The cabinet has also approved the proposal to establish a central monitoring framework with commerce ministry as the nodal department, having representation from other ministries, departments and agencies as well as concerned state governments to oversee the policy implementation.

"As a part of entire policy, the creation of cold chain infrastructure would be aggressively worked on with the complete involvement of state governments.

Each of the state governments has decided to appoint a nodal officer who will work to create the infrastructure," the minister said addressing a conference on strengthening the micro, medium and small enterprise (MSME) ecosystem in food processing organised by Assocham, here. "At the same time, to make exports possible, the government will remove all restrictions on organic foods as well as processed foods," he said.

For other agriculture products, depending on the situation, we will remove the restrictions," the minister told the gathering of businessmen and government officials.

Prabhu said that the Agricultural Export Policy has been approved after consulting all the states and union territories.

"This will be the policy that would be implemented across the states for which we have decided to create the framework," he said.

Elaborating on the policy, Prabhu said "the idea is that we create clusters for different products for agriculture, horticulture, meat, dairy and others depending upon the natural products produced in each state." The union government is also working on logistics, for which connectivity is an important factor.

Prabhu said that proper connectivity will be provided so that the produce can be transported within shortest possible time to avoid wastage. "In all, 30 per cent of the fruits that are produced in India are wasted, and India is the second largest producer of fruits and vegetables in the world," the minister said.

(Millennium Post, December 7th, 2018)

9. *New Industrial Policy sent for cabinet no: Suresh Prabhu*

The New Industrial Policy has been sent for the Union Cabinet's consideration, commerce and industry minister Suresh Prabhu said, proposing a new regime that aims to create jobs for the next two decades and attract $100 billion foreign direct investment (FDI) annually.

"For the industrial policy, the Cabinet note has been sent. We were putting in place an action plan on how to implement it

and that is why it took time," he said.
The New Industrial Policy, which will replace the 27-year-old existing policy, aims to resolve bottlenecks arising from inadequate infrastructure, restrictive labour laws and complicated business environment. The policy is in sync with the government's 'Make in India' target to increase the share of the manufacturing in the economy to 25% by 2022 from 16-17% now.
The policy would have some financial implications as the government may provide incentives for use of transformational technologies like artificial intelligence, internet of things, and robotics.
An elaborate administrative machinery, including a steering committee for effective implementation of the policy, is also on the anvil.
The major reform proposed ahead of general elections next year would address the issue of inverted duty structure and develop alternatives to banks for improved access to capital for micro, small and medium enterprises (MSMEs) such as peer to peer lending and crowd funding.
"We will give infrastructure, this is our commitment. We are already making industrial corridors and we want to make country specific clusters in those," Prabhu added.
The new policy also takes into account the competition from China, specifically addressing productivity and MSMEs. As per the Department of Industrial Policy and Promotion (DIPP), productivity as measured by value added per worker and average wages in manufacturing in India are only one-third of that in China.
"Differences in productivities across sectors and across firms within the same sector make matters worse. Workers in India are overwhelmingly employed in low productivity and low wage activities," the department has said.
Indian MSMEs are facing tough competition from cheap imports from China and free trade agreement countries.
(The Economic Times, December 10th, 2018)

10. *Liquidity stress in some sectors that needs to be addressed: FM*

Finance minister Arun Jaitley said that while overall liquidity may not be a concern, there is stress in some sectors that needs to be addressed.
Jaitley, who will be presenting his sixth Budget in February, said the government was at an advanced stage of working out a resolution on the Aadhaar issue following the Supreme Court ruling on the matter.
The Narendra Modi government had done enough to make a case for re-election in 2019, he said, adding that state polls are usually fought on local issues. The agenda for the Lok Sabha election is different, he said. Counting in the five state elections that have just taken place will be held on December 11.
He dismissed the contention that there was a lack of jobs, saying there would be unrest if that was the case as he flagged the revival in construction and the Mudra Yojana that have helped generate employment.
(The Economic Times, December 10th, 2018)

11. *NSIC empowers the youth with tech*

The Chairman cum Managing Director the National Small Industries Corporation (NSIC), Sudhir Garg, inaugurated the new training programs for the youth and budding entrepreneurs at the NTSC Advance Training Centre (Okhla) titled—'Augmented Reality (AR) Program', which is based on technology enriching the real world with digital information and media such as 3D models and videos, overlaying in real-time, the camera view of the smartphone, tablet, PC or connected glasses. The other programme, titled—'Virtual Reality (VR) Training Program', is based on interactive, computer-generated experience, taking place within a simulated environment, that incorporates mainly the auditory and the visual, and also other types of sensory feedback like haptic. In addition to these, another certified program, titled—'Cisco Certified Network Associate/Professional (CCNA/CCNP) Certified', was also inaugurated which would help the youth in installation, configuration and operation of LAN, WAN, and dial access services for networks. This NSIC-Technical Services Centre initiative aims to enhance the professional skills of the entrepreneurs and the youth working in the various Information and Technology sectors.
(The Pioneer, December 13th, 2018)

12. Union Minister inaugurates training centre, oil-manufacturing unit at KVIC

Amid much enthusiasm, Union Minister of State for Micro, Small and Medium Enterprises Giriraj Singh inaugurated 'Samadhan' and mustard-oil manufacturing unit. The inauguration took place at Multi-disciplinary Training Centre (MTDC) of Khadi and Village Industries Commission (KVIC) at Gandhi Darshan, Rajghat. Samadhan is an industrial training institute on PPP mode, to provide comprehensive industry and business related guidance and quality knowledge to entrepreneurs, industries, corporate and institutions.

Speaking on this occasion, Singh said that as ethical responsibilities towards society, Samadhan must work as an innovative social advisor for imparting valuable domain specific knowledge to generate more successful entrepreneurs and industry ready professionals.

"Since innovation, interaction, information, communication, Technology are the needs of the hour, I hope that this institute will provide the platform that will create maximum startups, increase probability for commercial success - developing different models, where initial investment, incubation, and development through commercialization could be coordinated among all of the participants," he added.

KVIC Chairman Vinai Kumar Saxena said that this institute should work as a catalyst to promote skill and entrepreneurship development training, vocational education, all round development of business and Industries, generation of employment opportunities and innovations to create maximum Start-ups. "It will also help in promotion of PMEGP, an ambitious programme of the Government of India, for which KVIC has been made the nodal agency," he said, adding, "Live streaming videos pertaining to Industrial trainings, professional episodes by industry experts and audio-visual recordings of different industries about capital investment, streamlining industry processes, can certainly give a broader platform to KVIC programmes." MSME Secretary A K Panda said that it can be a better platform the success stories of entrepreneurs, associated with MSME. Among others, who addressed this function, were KVIC Chief Executive Officer Preeta Verma and Dy CEO (North Zone) Satya Narayana, were also present at the event, among others.

(Dailyhunt, December 13th, 2018)

13. Public credit registry better for SMEs, not special norms: Acharya

The Reserve Bank prefers fundamental changes to smoothen loan flow to micro-businesses through a public credit registry, rather than doling out forbearances, deputy governor Viral Acharya said.

The statement comes almost a month after the central board "advised" the monetary authority to consider a restructuring scheme for stressed standard assets of micro, small and medium enterprises borrowers up to Rs 25 crore.

The advisory was issued amid pressure from government to do more to support small businesses, which have been impacted by the twin shocks of note-ban and GST introduction.

The poll-bound government has also been pitching for easing the prompt corrective action norms, under which the RBI has placed 11 of the 21 state-run banks, which will enable banks to lend more.

"At RBI, we are quite excited about how we can solve the credit problems at the grassroots for micro entrepreneurs in a fundamental way rather than saying that when they default we will just give them forbearance and give them another six or nine months to pay up," he said while addressing IIT-Bombay's annual Techfest.

Acharya, an alumni of the premier engineering institute, said RBI is putting together a public credit registry that will give banks the entire profile, including past loan details, and also regular income flows of borrowers.

This can make a lender more confident and also reduce the rate of interest for a borrower as the risk assessment becomes easier, Acharya said.

When asked about privacy concerns of such a registry, Acharya admitted that it is a "delicate" matter and advocated an access rights design upfront rather than a lot of information being gathered by companies.

The deputy governor also said in most countries which have a public credit registry, there exists a separate legislative framework that focuses on critical aspects including access rights.

(The Asian Age, December 15th, 2018)

14. India Unbound: Blockchain can unlock India's supply chains

In its simplest form, a blockchain is an accounting ledger — one that can store data on any real-world transaction of any kind. What's unique is that this ledger is decentralised and its data are encrypted, and highly resistant to tampering.

This enables the blockchain to act as a trustworthy third party in applications ranging from property ownership and financial services to identity verification. And it can do so either on public basis, such as Bitcoin, or private, with a single entity operating a closed blockchain system.

In India, blockchain can generate three tiers of impact across the supply chain.

Improving transparency. India's supply chain suffers from low transparency and high process inefficiency due to excessive paperwork. Consequently, Indian businesses are often slow to respond to market demand, and end up overspending on logistics.

There are two reasons why large logistics players haven't deployed a centralised platform — the enormous onboarding effort required, and data-privacy concerns.

Blockchain could address both issues. First, blockchain's plug-and-play capability makes onboarding less onerous: Large players could start by creating their own private blockchains with their suppliers, with the resulting automation of paperwork and due diligence. These networks could then be repeatedly connected to each other to create exponentially larger networks, amplifying the benefits.

But why would companies be willing to link their blockchains up? Blockchain's structure, combining encryption and distribution, makes data far more secure and gives each blockchain participant far more control over its data. These capabilities increase the upside of joining a blockchain while dramatically reducing the downsides.

Dispute resolution Today's supply-chain structure makes litigation for faulty or defective supply tedious and expensive, fraught with unreliable data. In a blockchain-enabled supply chain, each movement of the shipment can be tracked and logged in a way that all of the parties can trust, but with the data open only to them. "Smart" contracts could then penalise parties automatically from amounts held in escrow.

Opportunities for SMEs: Estimates show that last-mile delivery accounts for 40-50 per cent of all logistics costs. SME vendors have repeatedly proven their cost effectiveness in this domain, but the question keeping large customers from choosing SMEs has been: which ones can we trust? Blockchain provides a novel solution. Once SME vendors are onboarded onto a blockchain platform, they can be assigned reputation ratings tracking their performance. As in other applications, blockchain's resistance to tampering makes the performance records easy to trust. In short order, customers could have dozens of high-quality logistics options to choose from, all with the assurance that comes with performance track records that have been verified by blockchain.

The potential impact is twofold, not only enabling SMEs to take home a larger slice of the pie by competing against established players, but increasing the size of the pie itself, by increasing demand as the addition of new players reduces prices.

It's a world where a local trucker could beat out the world's largest logistics companies and the neighborhood Kirana store can send shivers down the spines of even the most sophisticated global retailers.

(Business Line, December 18th, 2018)

15. *RBI guv, PSB chiefs discuss PCA, liquidity*

RBI governor Shaktikanta Das met more state-run bankers to discuss the issues related to relaxing the prompt corrective action (PCA) framework, liquidity and credit flows to MSMEs, bankers said. This is the second meeting between public sector lenders and the RBI since Das took charge, following the sudden resignation of Urjit Patel due to deep differences with the government on a host of issues, including calls for relaxing the PCA for some banks, autonomy and operational independence as well as parting at least one-third of its reserve capital to government among others.

The lenders who attended the meeting included Bank of Baroda, Bank of Maharashtra, Allahabad Bank, Indian Overseas Bank, Indian Bank, Syndicate Bank, United Bank of India and Uco Bank, among others. "It was a general feedback meeting. The RBI wants to know the state of individual banks. There were also discussions on the issues related to liquidity and credit flows to the MSME sector," a banker said.

Das and the four deputy governors also deliberated on the PCA framework with these lenders, said another banker. Of the 21 state-owned banks, as many as 11 are under the PCA framework, which imposes lending and other restrictions on weak lenders. These are Allahabad Bank, United Bank, Corporation Bank, IDBI Bank, Uco Bank, Bank of India, Central Bank of

India, IOB , Oriental Bank of Commerce, Dena Bank and Bank of Maharashtra.
(The Economic Times, December 20th, 2018)

16. *Indian MSME can compete to be part of Fourth Industrial Revolution: Giriraj Singh*

Minister of State (Independent Charge) for Micro, Small and Medium Enterprises (MSME), Giriraj Singh said Indian MSMEs have the capability to compete with global companies and become a part of the fourth industrial revolution due to the support being given to them through various Government of India schemes. Giriraj Singh said that with Ease of Doing Business, credit lending facilities and technical support and upgradation initiatives of the Government of India, our MSMEs have joined the SMEs of the world. He said with the financial support given to MSMEs from the Credit Guarantee Fund Trust for Micro, Small and Medium Enterprises (CGTMSE) and Prime Minister's Employment Generation Programme (PMEGP), 19 lakh new enterprises have been created in the last 4 years, providing employment to nearly three crore people. The Minister said that Indian MSMEs share is increasing in exports as well as GDP of the country. The Minister further said that as part of technical support and upgrading of MSME industries ten new Technology Centres (TCs) will soon become operational, besides the 18 TCs which are doing exemplary work. Minister of Commerce and Industry and Civil Aviation, Suresh Prabhu, said that the New Industrial Policy framed by the Department of Industrial Policy and Promotion of the Ministry of Commerce, which will get Cabinet nod soon, will benefit the MSMEs of the country in a big way. Secretary MSME, Dr. Arun Kumar Panda, said that with the implementation of GST MSMEs have undergone huge transformational changes to their benefit. He said that more than one million MSMEs are now registered with GSTN and have become part of the formal sector which has given them the opportunity to link themselves with national as well global value chains.
(Press Information Bureau, December 19th, 2018)

17. *Google app to give digital journey of small businesses a push*

In order to help the small and medium businesses (SMB) to increase their digital presence, Google India has launched a redesigned 'Google My Business' app. The app is a tool for the SMBs to start their digital journey through listings on Google and keep their business presence up-to-date on Google Search and Google Maps. It will also enable SMBs to manage profiles on-the-go and boost customer engagement.

The app allows businesses to update their profile, converse with customers, and attract new ones in real-time, on-the-go. New features such as the new post button, a customer tab and the bottom navigation bar allow businesses to follow and message customers directly from the app, enhancing engagement between both the parties. The app is free and is available for download in Google Play or the App Store.

The businesses can now upload a photo, create an offer or an event, and add it right to their profile on Google for the world to see. They can also manage their information seamlessly on Google from the profile tab and watch edits appear real-time across Search and Maps.

"Businesses can connect with customers, reply to reviews and receive messages, all in one place, through the updated customer tab. The new tab also enables them to see all their followers on Google Maps and using the new post button, engage them with attractive content to encourage repeat visits," Google said.

"The new Google My Business app deepens our commitment to help businesses grow online. The new app will encourage businesses to manage their presence on Google in real-time, make their profiles more appealing and interact with customers," said Shalini Girish, Director, Marketing Solutions, Google India.

Google India has enabled businesses to grow online through several products and initiatives. The Digital Unlocked initiative is designed to help SMBs with digital skills via offline and online training module, while Primer is a free mobile app designed to teach digital marketing skills for people.

Google has also helped SMBs to create a free, mobile-optimized website instantly in 10 regional languages using Google My Business app.
(The Indian Express, December 22nd, 2018)

18. *NTPC for single window registration for MSEs*

Buoyed by over 36 per cent of its procurement from micro and small enterprises (MSEs), power giant NTPC has pitched for their universal registration for supplies to all CPSUs in India.

"To promote ease of doing business for MSEs, NTPC Chairman Gurdeep Singh has proposed a single window registration for MSEs across CPSUs," a senior company official told.

As against the government mandate for minimum 25 per cent procurement from MSEs, NTPC has achieved 36 per cent procurement from MSEs in the current fiscal till November 2018, the official added.

NTPC's total procurement reaches around ₹1,000 crore in a year from 3,500 vendors. Last fiscal, it stood at ₹1,163 crore.

"NTPC's endeavour is to better its contribution in association with MSEs year on year. Therefore, Singh proposed on different fora that there should a one registration for all MSEs for procurements by CPSUs. But it is the MSME ministry which would take final call on it," the official added.

(Business Line, December 25th, 2018)

19. *Governing council for MSME exports*

The MSME Ministry has proposed to establish a governing council to ensure efficient delivery of all export-related interventions as part of its action plan to boost shipments from micro, small and medium enterprises. The Ministry has recommended a detailed analysis of various trade agreements, including FTAs and bilateral and multilateral trade agreements, to identify areas of concern for MSMEs in the strategic action plan titled 'Unlocking the Potential of MSME Exports'.

(Business Line, December 25th, 2018)

20. *Pain points for the MSME sector*

A debate on MSMEs has come alive due to the Centre's insistence on a regulatory reprieve for the beleaguered sector post GST and post demonetisation. The RBI at its last Board meeting that Urjit Patel chaired, promised to set up a Committee on the MSME sector by the end of this month.

There is an estimate, authenticated by the Centre, that there are around 50 million MSMEs, both registered and unregistered, employing 120 million, second only to agriculture.

MSMEs contribute 6.11 per cent of manufacturing GDP and 24.6 per cent of services GDP. They also account for 16 per cent of bank lending. Around 8 per cent of credit to manufacturing micro and small enterprises and 13 per cent to medium enterprises are estimated to be gross NPAs.

MUDRA (Micro Units Development and Refinance Ageny) and the '59-minute loan sanction' promises enhanced credit reach to the sector with SIDBI in the lead for both. MUDRA helped banks to push the services sector lending below ₹5 lakh significantly.

Field studies reveal that MUDRA loans have been used by several banks to swap a good number of failing micro service sector loans. There is also evidence of moral hazard following adverse selection as several enterprises are non-traceable at the location mentioned in the applications.

In the band of ₹5-10 lakh the percentage of loans is less than 20 per cent, indicating preference for a risk free portfolio and lack of interest in the manufacturing sector.

The government has put in place e-Invoice, TReDX, Samadhan, GeM to ensure prompt payment of bills from public sector undertakings and central government departments. Even so, the State PSUs and state government departments continue to delay the bills of MSMEs, leading to NPAs.

A procurement policy has been put in place to provide for preferential purchase from MSMEs, without sacrificing the conditions of quality of goods and services supplied to the buyer.

The process of loan disbursal is also cumbersome. Quite a few banks follow a multi-layered approach to lend to the sector and as a result due diligence suffers. The branch that disburses is also expected to monitor and supervise the credit but does not have the time or manpower for that.

There is hardly any communication between the entrepreneur and the credit authority until an irregularity in the account surfaces.

So given declining credit and growing NPAs, the following 12-point Agenda is a way ahead for the RBI panel:

* Thresholds in priority sector portfolio.
* Credit risk assessment of the MSMEs

* Thresholds for declaring the MSMEs as NPAs — 98 per cent of the portfolio in the fold of proprietors/family owned enterprises in the shape of partnerships, have no exit route of the sort facilitated under the IBC code or the Industrial Disputes Act.
* Revival and restructuring of sick enterprises — Innovative institutional interventions like the Industrial Health Clinics in States that carry the highest numbers of enterprises in this category.
* Cluster Development — Additional lending incentives.
* SIDBI's Role — Review and Redefine for assuming real leadership role.
* The guarantee mechanism in the shape of the Credit Guarantee Fund Trust for Micro and Small Enterprise (CGTMSE) needs to be reviewed and redefined.

It has a role conflict with SIDBI as the latter is its promoter and at the same time secures its guarantee for the enterprises financed directly by it. CGTMSE premia rates were found to be high by their primary lending institutions and the claim settlement process unacceptably late.

* Role of credit rating agencies and effectiveness of internal credit rating tools.
* Recommendations to the Centre on policy initiatives.
* Digitisation of MSME lending and managing its transition.
* Setting up of Movable Asset Registry — Operational issues and directions.
* Setting up of Public Credit Registry — Roadmap for data integration without sacrificing data privacy and data security.

Given the cascading effect of the large corporate manufacturing and services enterprises on the MSMEs, their healthy growth is crucial for employment and growth of the manufacturing sector as a whole.

Since MSMEs are still largely debt driven and not equity driven, it is important that access to credit should be easier, cleaner, and faster.

(Business Line, December 26th, 2018)

21. *Industry players hail new norms for e-commerce cos*

The government's move to tighten norms for online marketplaces with foreign investment will close the "back door" that has been "blatantly exploited" by such companies and provide a level-playing field, industry players said. The changes will mostly affect US-based Amazon and Walmart-backed Flipkart — the two largest players in the burgeoning Indian e-commerce sector — as one of the norms bars striking exclusive marketing arrangements that could influence product prices.

"It (introduction of the new norms) is an acknowledgement that all the major foreign players have been consistently violating the spirit of the policy from day one. Almost all the clarification points mentioned in this policy can be directly attributed to an active violation by these foreign players," ShopClues CEO and co-founder Sanjay Sethi said. He added that the clarification will "finally close the back door that has been blatantly exploited by these players".

Snapdeal too has lauded the move, with founder and CEO Kunal Bahl saying these changes will enable a level-playing field for all sellers and help them leverage the reach of e-commerce.

While Flipkart has not commented on the changes, Amazon has said it is evaluating the circular.

The new norms — effective February — will also bar online marketplaces from selling products of companies in which they hold a stake. This could potentially impact many electronic and smartphone brands like ASUS, OnePlus, BPL and others that work exclusively with either of the two giants. The new guidelines will also make it difficult for players with FDI investments to offer discounts and cashbacks to online shoppers, a development that industry watchers say will affect business models of these companies.

The new rules could also pull the plug on seller entities like Cloudtail and Appario (that have equity investment from e-commerce companies).

"There are some specific points that need greater clarity, especially the fact that an entity having 'equity participation' by e-commerce market place entity or its group company, is not permitted to sell its products on the platform run by marketplace entity," said Darshan Upadhyay, partner at Economic Laws Practice, adding that this could result in all vendors and suppliers where the marketplace entity (or its group) have insignificant holding being ineligible for selling their products.

Instamojo CEO and co-founder Sampad Swain said while the earlier regulations were bound by high caps, MSMEs of the country would now get a fair opportunity to come and participate in the digital economy. "This new development creates a level playing field for smaller players... Now, all the micro-merchants of our country can participate without the fear of being left out," he added.

The decision came in the backdrop of several complaints being flagged by domestic traders on heavy discounts being given by e-commerce players to consumers. Many sellers had flagged concerns that the e-commerce giants were using their affiliates and exclusive sales agreements to create an unfair marketplace and offering some products at deep discounts.

(The Pioneer, December 28th, 2018)

22. *Boost to MSMEs: Rs. 14-cr of loans cleared since Nov under 59-minute scheme*

In a big rush to provide credit to micro, small and medium enterprises (MSME), the state-owned banks have sanctioned loans worth over Rs 14,000 crore under the 59-minutes scheme launched by the government only last month. Data made available by the government shows that while a total of 1,31,028 applications were received by the banks at the psbloansin59minutes.com portal, since the scheme's launch on November 3, 2018, 1.12 lakh loan applications received in principle approval till December 25.

Of the 1.12 lakh applications that have received approval, sanctions have been made in respect of 40,669 cases. With a total sanction amount of Rs 14,088 crore, the average sanctioned loan amount works to Rs 34.6 lakh.Among the banks that have taken the lead in sanctioning the 59 minutes loan over the last 7 weeks are Ban of Baroda and Union Bank of India. While Bank of Baroda has sanctioned loans worth Rs 3,774 crore, Union Bank of India has sanctioned loans worth Rs 2,338 crore. The two banks account for over 43 per cent of the total sanctioned amount.

While the State Bank of India has received the largest number of applications and accounts for nearly 30 per cent of the loans that have received in principle approval, the largest public sector bank has sanctioned only 4,416 loans worth Rs 1,582 crore.

So, SBI has been going slow on sanctioning. If Bank of Baroda's sanctioning to loan approval ratio stands at 77 per cent, that of SBI and Punjab National Bank is low at 13.33 per cent and 8.6 per cent respectively.

Other banks that have sanctioned loans worth over Rs 1,000 crore are Central Bank (Rs 1,352 crore) and Bank of India (Rs 1,006 crore). On the other hand four banks have sanctioned less than Rs 50 crore in the same period under the 59 minute loan scheme.

While SIDBI has sanctioned 42 loans worth Rs 15.45 crore, Syndicate Bank, UCO Bank and United Bank of India have sanctioned loans between Rs 30 crore and Rs 40 crore.

The government launched the 59 minute online loan portal along with a series of other measures to boost fund flow to the Micro, Small & Medium Enterprises (MSME) on November 3, 2018.The measures included providing GST-registered MSMEs access to cheaper credit by way of an interest subsidy on fresh loans, and mandating state-owned companies to procure at least 25 per cent of their product requirements from smaller firms, among others.

MSMEs that were registered on the GST platform were to be given two per cent interest subsidy on fresh loans, while a psbloansin59minutes.com portal was started to provide sanction on loan up to Rs 1 crore within 59 minutes. The portal is developed, operated and maintained by Online PSB Loans Limited, formerly known as Capita World Platform Private Ltd.

The portal assesses the creditworthiness of the applicant through data analysis of GST returns, tax returns and bank account statements. The Reserve Bank of India data on deployment of gross bank credit till October-end this year shows that credit to industry has grown by 3.6 per cent year-on-year.

Within this broad category, credit to micro and small enterprises has increased 1.6 per cent, and to medium enterprises by 10.9 per cent. In contrast, credit to the services sector has posted a phenomenal growth of 27.4 per cent, while overall non-food credit has grown at 13.4 per cent.

A couple of bankers in conditions of anonymity said that they have been told to take quick decision on the applications and "approve or decline" the application within 3-4 days and this is leading to faster sanctioning. "Once the application comes to us, we have to take a decision on its sanctioning in 3-4 days based on the documents provided and the credit history of the customer," said a branch manager with a PSB, who did not wish to be named.

Some bankers said that Gujarat and Maharashtra is leading among the states in terms of the sanctioning of the loans.

(The Indian Express, December 29th, 2018)

23. *Modi launches pension software*

Prime Minister Narendra Modi launched a comprehensive pension management software SAMPANN to facilitate pensioners of the telecom department.

SAMPANN, an acronym for System for Accounting and Management of Pension, will help in timely disbursement of pensions, he said at a public meeting here. The prime minister said the Union government is using technology to improve ease of living and greater ease of access to citizen-centric services. He said India Post Payments Bank is being used to expand banking services through post offices. A network of over three lakh Common Service Centres is helping to provide a range of services digitally to the people in rural areas, he said.

Modi also spoke of the huge increase in the number of internet connections and said over one lakh panchayats in the country are now connected via broadband. The prime minister said the Digital India campaign, apart from facilitating people, is also bringing transparency in the working of the government and curbing corruption.

Mentioning the Government e-Marketplace or GeM, he said it will be of immense use for Ministry of Micro, Small and Medium Enterprises (MSMEs) which the Centre is committed to empowering. “By making access to credit easier for the MSMEs, ease of doing business is also being ensured,” he said. The prime minister said efforts were on to provide modern amenities and promote the industry through LNG (Liquefied natural gas) in eastern India.

One of its benefits is that cooking gas is now becoming available to thousands of homes in Varanasi, he added.

(Financial Express, December 29th, 2018)

24. *Centre plans cycle parts, rubber industries in Tripura*

Union Minister of State for Micro, Small and Medium Enterprises (MSME) Giriraj Singh said the Centre has plans to set up a hub and spoke (cycle parts) factory and bamboo and rubber based industries in Tripura.

The bamboo and rubber indusries would be set up in the north eastern state as the raw material is found in abundance in it, he said at the National Tool Room and Training Center at Radhakishor Nagar.

There are 18 technology centres under the MSME ministry and 15 new ones would be set up in different places soon as per the prime minister's direction.

"We want to develop local resource based industries. We are interested for bamboo and rubber based industries because these plants grow in abundance in Tripura", he said.

Chief Minister Biplab Kumar Deb said that BJP-IPFT government attached maximum importance to the welfare of farmers and so it has started procuring paddy from them with support price for Food Corporation of India.

The erstwhile Left Front government did not take any step for improvement of the socio-economic condition of the farmers of the state, he alleged.

The government has plans to make Tripura a model state in the next three years, Deb said adding he hoped that it would be the number one state in the country.

(The Echo of India, December 29th, 2018)

25. *Startup India fund allocates just 19% to VCs in 3 years*

The Startup India initiative, launched three years ago by Prime Minister Narendra Modi, has allocated just under 20% of its Rs 10,000-crore corpus to venture capital (VC) funds.

Mohammad Mustafa, chairman and managing director of the Small Industries Development Bank of India (Sidbi), which manages the fund-of-funds for the Startup India Action Plan, said Rs 1,900 crore had been committed to VC firms by the end of December 2018. According to figures available publicly, the allocation had stood at close to Rs 1,500 crore by the end of September 2018. Mustafa said the fund-of-funds will close the financial year with a Rs 3,300-crore allocation to VCs. The government launched the initiative to help startups get funding in early stages. The fund doesn’t directly invest in startups. Instead, it allocates money to VCs, which are required to invest at least twice the amount of contribution received from the government.

Over the past two weeks, the Startup India initiative has come under criticism after hundreds of entrepreneurs complained of harassment by I-T authorities who sent them ‘angel tax’ notices. For now, the government has assured them there won’t be any coercive action to demand taxes from startups. The government had made similar promises a year ago when the issue first came to the fore.

Mustafa also said the Startup India fund, leveraging on technology, will bring in 'automation' by next fiscal, which will ensure faster disbursals to VC firms looking to raise capital from the government's initiative. "There is a lot of demand, and VC firms are reaching out for capital. We are looking to roll out an automated platform that will do away with physical filing of forms or interactions with Sidbi. Essentially, it will cut down the process by two-three months for VCs to apply and avail of funding," said Mustafa.

It currently takes four-five months for a VC to apply for and get fund approval. According to official records, Kae Capital, Orios Venture Partners, Stellaris Venture Partners and Alteria Capital, among others, received capital from the government's fund-of-funds.

The Startup India fund is supposed to be deployed during the 14th and 15th Finance Commission cycles. Over the past few years, the government has been showing interest in focusing on startups since they play an important role in creation of jobs. Startup India was one of the initiatives highlighted in the G20 summit in Argentina.

(The Times of India, December 31st, 2018)

Opportunity for MSMEs to increase

'COST COMPETITIVENESS, QUALITY & ON-TIME DELIVERY'

Productivity Affected?

Are these factors affecting your enterprise' performance?

T - Transport (moving materials, information)

O - Over Production (poor production planning, effect on production cost)

I - Inventory (stock of materials, finished goods, storage)

O - Over Processing (poor quality, lack of employee efficiency)

M - Motion (unnecessary motion within work area resulting in time waste)

D - Defects (repeated errors, avoidable errors)

W - Waiting (materials, information)

H - Human Resources (absenteeism, lack of team effort)

E - Environmental Waste (natural resource inputs such as Energy, water, fuel etc)

Enroll in SCORE

FICCI and ILO jointly brings you SCORE - a modular management training for micro, small and medium enterprises.

SCORE Modules

Module 1:
Workplace Cooperation
- A foundation for business sucess

The starting point for all training
- **Unite employees around shared targets**
- **Involve the entire workplace in continuous improvement**

Module 2:
Quality - Managing Continuous Improvement
- Identity customer needs
- Develop quality assurance culture
- Reduce defects systematically

Module 3:
Productivity Through Cleaner Production
- Save costs and increase efficiency
- Systematically reduce waste & energy usage

Module 4:
Workforce Management For Cooperation and Business Sucess
- Develop Human Resource strategies for better recruitment & retention
- Motivate & develop the right people to make staff a competitive advantage

Module 5:
Safety & Health at Work: A Platform for productivity
- Eliminate or minimise workplace health & safety risks that lead to injuries, expenses & lower productivity

Module 1 is mandatory, modules 2-5 are optional for the enterprise to choose as per their need)

Our USPs

I. Subsidised training as only **20% cost borne** by the participating enterprise.

ii. **High return** on training investment including **cost savings** within 3 months.

iii. **Flexible training designs** modified to address specific hurdles faced by the enterprise.

iv. Flexible curriculum and easy learning.

v. Customized coaching on a range of topics.

vi. Training results in improved robust management systems and practices.

vii. Association with FICCI and ILO bringing market visibility

More than 100 Indian SMEs benefited since 2012 with proven results such as enhanced productivity, improved cost competitiveness, waste reduction, defect elimination and more.

Contact us for details:
Ms. Shraddha S. Sabharwal
National Coordinator
FICCI-Centre for SCORE & IR Training Services in India
Federation House, Tansen Marg, New Delhi – 1100001
Ph: + 91 11 23708215, 23487230
Email: score@ficci.com

Case Study 1:

Implementation of SCORE Module 1 "Workplace Cooperation" at Smash Enterprises (Pune), by FICCI through its National Coordination Centre for SCORE Training

SCORE SUCCESS STORIES

Problem Definition/ Identified for Improvement:

SMASH Enterprises is into specialized welding of carbon steel, alloy steels and stainless steel components. One of the workplace challenge faced was lack of proper space at the shop-floor due to leftover electrode pieces. One of the goal was set to "Reduce Space Constraint by 10%".

Process / steps adopted to address the problem:

- An Enterprise Improvement Team (EIT) was formed as a first step. The EIT is the driving force behind implementing any new initiatives during the SCORE trainings. EIT is cross-functional and cross-hierarchical, which brings together managers and workers (including supervisors) to collectively plan and implement solutions.
- EIT highlighted that earlier attempt for cleaning the shop-floor of the waste material like electrodes has not been successful. During the brain storming session in EIT, an idea of using magnet to clear the shop-floor was shared by the EIT members.
- As part of 5S, the EIT members initiated a "shop-floor cleaning project" and henceforth all the workers participated in hand picking the scrap material and cleaning by magnet.

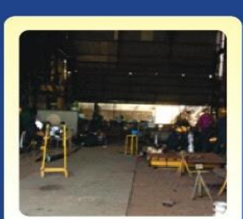
Results Achieved:

- Space utilization improved by about 12%. About, 210 kg of end pieces of electrodes plus few gunny bags of ferrous dust were collected
- About Rs. 65,000 were earned by disposal of unwanted material and scrap. Rs. 20,000 were spent to purchase drinking water purifier for the shop-floor workers and their drinking water problems got addressed
- With the availability of space there was an opportunity to work on new product development and new orders

Lessons Learnt:

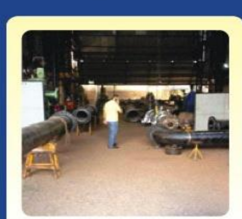
- SCORE program provided a new way of looking at the situation at the workplace and opportunity to brainstorm to find solutions within the available resources.
- Management and operators realized the benefits of 5S that it helps to identify hidden and unwanted materials and the monetary benefits that can be derived.
- Employees can find out ways to reduce waste, remove scrap and can use the money earned or saved for their own benefit, which is WIN - WIN situation for both Management and employees.

BEFORE



Equipment lying unorganized on the shop-floor.

AFTER



Lot of free space by implementing 1S & 2S

End pieces of electrodes and ferrous dust on shop floor

Operators hand picking end pieces of electrodes and other scrap from floor

Operator using magnet to collect ferrous scrap and dust from the floor

Shop floor looking clean after magnet cleaning

FICCI CMSME

Empowering MSMEs

FICCI - Confederation of Micro, Small and Medium Enterprises (CMSME)

INVITING MEMBERSHIP




FICCI CMSME and IDBI Bank Partnership

Offering concession of 100 bps on interest rates and charging only 0.10% processing fee from members

Other Membership Benefits

- Free consultation & faster availability of credit & finance @low cost
- Decrease in raw material cost
- Create brand and increase revenue /leads through web presence
- Lead generation at low cost through digital advertising
- Cost-effective & useful MSME Insurance

For more details contact:

Hemant Seth
FICCI- CMSME, Federation House, 1, Tansen Marg, New Delhi 110 001
Tel: 91-11-23487307/ 23487260; Email: cmsme@ficci.com